

Rate Year 2021 Uncompensated Care Report

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This document contains the staff report for RY 2021 Uncompensated Care Policy. There are no proposed changes in methodology and thus no need for a formal Commission vote.

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INTRODUCTION

Uncompensated Care (UCC) is care provided for which no compensation is received, typically a combination of charity care and bad debt. Recognizing the financial burden hospitals take on when providing quality care to patients who cannot readily pay for it, the Maryland Health Services Cost Review Commission (HSCRC) factors in the cost of UCC into the State's hospital rate setting structure. This provision assures access to hospital services in the State for those patients who cannot readily pay for them and hospitals equally get credited for the care provided.

The purpose of this report is to provide background information on the UCC policy and to provide hospital-specific values for the UCC built into statewide rates as well as the UCC pool for rate year (RY) 2021. The HSCRC determines the total amount of UCC that will be placed in hospital rates for each year and the amount of funding that will be made available for the UCC pool. For RY 2021, the determined UCC amount to be built into rates for Maryland hospitals is 4.41 percent. Under the current HSCRC policy, UCC above the statewide average is funded by a statewide pooling system whereby regulated Maryland hospitals draw funds from the pool should they experience a greater-than-average level of UCC and pay into the pool should they experience a less-than-average level of UCC. This ensures that the cost of UCC is shared equally across all hospitals within the State.

METHODOLOGY

The HSCRC prospectively calculates the rate of uncompensated care at each regulated Maryland hospital using a three-step process:

1. The first step is to determine the actual UCC based on the prior year's bad debt and charity care as reported on the Revenue and Expense (RE) Schedules. Therefore, actual UCC percentages for RY 2021 is computed using bad-debt and charity care as a percentage of gross patient revenue from the RY 2019 RE Schedules. The results from this computation determines the statewide UCC rate that will be built into hospital rate structures. It is important to note that only acute care hospitals are considered when determining the statewide UCC level. All freestanding emergency centers, behavioral health and specialty hospitals are not considered in the determination of how much to fund UCC statewide. (See Appendix II Table 1).
2. The second step uses a logistic regression model to predict the UCC for RY 2021. A regression is a statistical technique used when determining how much an output amount changes due to changes in multiple inputs. In this case, those inputs include: area deprivation Index (ADI), payer type, and site of care. An expected UCC dollar amount is calculated for every patient encounter. UCC dollars are summed at the hospital level, and summed UCC dollars are divided by hospital total charges to establish the hospital's estimated UCC level. This calculation creates a predicted UCC rate for each hospital.

The logistic regression is limited to just acute care hospitals. UMROI, Levindale and Shock Trauma are also excluded from the regression due to the fact that these hospitals do not incorporate all of the input variables necessary to perform the regression as listed earlier in this section. (See Appendix I).

3. The third step involves performing a 50/50 blend between the actual UCC computed from the RE Schedules and the predicted UCC from the regression as a percent of hospital projected RY 2021 GBR. This action ensures that hospitals have an incentive to collect bad debts, as providing UCC at 100 percent of prior year actuals creates a moral hazard. The results of this calculation determines hospital-specific UCC levels in relation to the statewide UCC level determined in step 1. It is at this step where a determination is made as to how much each hospital will either withdraw from or pay into the UCC pool. (See Appendix I).

ASSESSMENT

The HSCRC must determine the percentage of UCC to incorporate in hospitals' rates in order to fund the UCC pool. Based on the RY 2019 audited reports, the statewide UCC rate was 4.41 percent, 0.15 percentage points higher than last year's UCC rate of 4.26 percent. According to the statistics published by the U.S. Census Bureau on September 16, 2015, the rate of Marylanders without health insurance decreased from 10.2 percent in 2013 to 7.9 percent in 2014.¹ Based on the Census Bureau's American Community Survey, Kaiser Family Foundation estimates Maryland's uninsured rate to have decreased to 6 percent as of 2018;² however, as the RY 2019 experience demonstrates, the continuing reductions in UCC that resulted from the implementation of the Affordable Care Act and the lowering of the uninsured population has slowed. For RY 2021, staff will provide a UCC rate of 4.41 percent in rates in keeping with prior year methodologies.

IMPLEMENTATION

Based on the preceding analysis, HSCRC staff will implement the following for RY 2021:

1. Increase the statewide UCC provision in rates from 4.26% to 4.41% effective July 1, 2020.
2. Continue to use the regression modeling approach approved by the Commission at the June 2016 meeting.

¹ <http://www.marylandhbe.com/fewer-marylanders-without-health-coverage-census-bureau-reports/>

² <https://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&selectedRows=%7B%22states%22:%7B%22maryland%22:%7B%7D%7D%7D&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

3. Continue to do 50/50 blend of FY19 audited UCC levels and FY2021 predicted UCC levels to determine hospital-specific adjustments.

FUTURE CONSIDERATIONS

Earlier this year, Staff began evaluating the possibility of using multi-year actual UCC averages in lieu of the one year figures to do the 50/50 blend with predicted UCC from the regression. Staff believes that using two or more years of history will make the statistic more stable, especially as the declining trends due to the implementation of the Affordable Care Act appear to have slowed. However, with the onset of Covid-19, Staff has halted further work on this and other policy development to allow the hospitals sufficient bandwidth to respond to the pandemic. Following the commissions protocol for policy creation and implementation, Staff will resume evaluation of the multi-year blend on actuals for the RY 2022 UCC policy, at which point staff will also address any implications from the federal CARES act funding that hospitals can avail themselves to for reimbursement of COVID-related treatment of the uninsured

Appendix I. Hospital Uncompensated Care provision FOR RY 2021

HOSPID	HOSPNAME	FY2021 GBR Permanent Revenue	FY 2019 UCC Based on FY 2021 GBR Permanent Revenue	FY 2019 Percent UCC from the RE Schedule	Percent Predicted UCC (Adjusted)	Predicted UCC Amounts (Based on FY 2021 GBR Permanent Revenue)	50/50 Blend Percent	50/50 Blend Adjusted to FY 2019 UCC Based on FY 2021 GBR Permanent Revenue Level	Percent UCC
210001	Meritus Medical Cntr	\$ 396,672,128	\$ 18,297,770	4.61%	4.91%	\$ 19,492,598	4.76%	\$ 19,494,212	4.91%
210002	UMMC	\$ 1,662,265,601	\$ 69,785,691	4.20%	2.55%	\$ 42,346,209	3.37%	\$ 57,843,392	3.48%
210003	UM-Prince George's Hospital	\$ 353,143,106	\$ 31,228,938	8.84%	7.28%	\$ 25,707,853	8.06%	\$ 29,370,921	8.32%
210004	Holy Cross	\$ 530,249,154	\$ 44,307,570	8.36%	7.00%	\$ 37,119,564	7.68%	\$ 42,004,297	7.92%
210005	Frederick Memorial	\$ 373,830,810	\$ 17,376,792	4.65%	5.20%	\$ 19,426,241	4.92%	\$ 18,984,894	5.08%
210006	UM-Harford Memorial	\$ 111,520,291	\$ 7,190,893	6.45%	4.30%	\$ 4,798,414	5.38%	\$ 6,184,700	5.55%
210008	Mercy Medical Cntr	\$ 574,957,129	\$ 29,093,472	5.06%	3.85%	\$ 22,152,571	4.46%	\$ 26,435,341	4.60%
210009	Johns Hopkins	\$ 2,603,213,204	\$ 67,311,289	2.59%	3.02%	\$ 78,491,344	2.80%	\$ 75,212,486	2.89%
210010	UM-SRH at Dorchester	\$ 47,411,431	\$ 2,610,210	5.51%	5.12%	\$ 2,426,529	5.31%	\$ 2,598,208	5.48%
210011	St. Agnes Hospital	\$ 444,529,453	\$ 21,819,305	4.91%	4.75%	\$ 21,130,685	4.83%	\$ 22,155,810	4.98%
210012	Sinai Hospital	\$ 871,616,421	\$ 25,771,915	2.96%	3.45%	\$ 30,101,099	3.21%	\$ 28,822,170	3.31%
210013	Bon Secours Hospital	\$ 50,629,984	\$ 1,194,898	2.36%	4.36%	\$ 2,209,330	3.36%	\$ 1,756,076	3.47%
210015	MedStar Franklin Square	\$ 584,424,327	\$ 20,455,548	3.50%	3.71%	\$ 21,701,751	3.61%	\$ 21,746,899	3.72%
210016	Washington Adventist Hospital	\$ 308,889,863	\$ 25,310,578	8.19%	6.57%	\$ 20,285,630	7.38%	\$ 23,520,866	7.61%
210017	Garrett Co Memorial	\$ 64,923,243	\$ 4,523,036	6.97%	5.12%	\$ 3,323,455	6.04%	\$ 4,047,623	6.23%
210018	MedStar Montgomery	\$ 185,418,639	\$ 6,367,928	3.43%	3.88%	\$ 7,203,491	3.66%	\$ 7,000,835	3.78%
210019	Peninsula Regional	\$ 489,888,164	\$ 18,557,642	3.79%	4.20%	\$ 20,565,990	3.99%	\$ 20,181,978	4.12%

210022	Suburban	\$ 352,204,282	\$ 12,663,912	3.60%	3.85%	\$ 13,546,581	3.72%	\$ 13,520,718	3.84%
210023	Anne Arundel Medical Cntr	\$ 668,814,678	\$ 18,105,021	2.71%	3.44%	\$ 23,011,443	3.07%	\$ 21,209,983	3.17%
210024	MedStar Union Memorial	\$ 440,281,229	\$ 13,107,508	2.98%	3.72%	\$ 16,362,627	3.35%	\$ 15,202,209	3.45%
210027	Western Maryland	\$ 347,061,624	\$ 18,617,971	5.36%	4.42%	\$ 15,334,567	4.89%	\$ 17,514,463	5.05%
210028	MedStar St. Mary's	\$ 197,539,003	\$ 8,833,992	4.47%	3.83%	\$ 7,573,187	4.15%	\$ 8,463,665	4.28%
210029	JH Bayview	\$ 723,588,869	\$ 37,642,784	5.20%	4.91%	\$ 35,519,348	5.06%	\$ 37,740,785	5.22%
210030	UM-SRH at Chestertown	\$ 54,849,764	\$ 2,955,731	5.39%	4.17%	\$ 2,288,471	4.78%	\$ 2,705,229	4.93%
210032	Union Hospital of Cecil Co	\$ 174,088,858	\$ 9,258,994	5.32%	4.49%	\$ 7,814,445	4.90%	\$ 8,807,357	5.06%
210033	Carroll Co Hospital Cntr	\$ 244,045,385	\$ 5,686,306	2.33%	3.55%	\$ 8,653,145	2.94%	\$ 7,397,026	3.03%
210034	MedStar Harbor Hospital Cntr	\$ 196,848,325	\$ 9,094,284	4.62%	4.54%	\$ 8,931,865	4.58%	\$ 9,298,813	4.72%
210035	UM-Charles Regional	\$ 162,492,943	\$ 8,541,349	5.26%	4.82%	\$ 7,828,762	5.04%	\$ 8,444,544	5.20%
210037	UM-SRH at Easton	\$ 235,456,663	\$ 7,989,170	3.39%	3.30%	\$ 7,778,942	3.35%	\$ 8,134,002	3.45%
210038	UMMC - Midtown	\$ 228,986,072	\$ 11,913,442	5.20%	3.57%	\$ 8,184,284	4.39%	\$ 10,367,440	4.53%
210039	Calvert Health Med Cntr	\$ 159,336,602	\$ 6,799,147	4.27%	3.90%	\$ 6,218,072	4.08%	\$ 6,714,950	4.21%
210040	Northwest Hospital Cntr	\$ 281,304,485	\$ 14,220,613	5.06%	5.22%	\$ 14,677,155	5.14%	\$ 14,906,952	5.30%
210043	UM-BWMC	\$ 467,697,479	\$ 27,615,024	5.90%	3.74%	\$ 17,485,694	4.82%	\$ 23,265,266	4.97%
210044	GBMC	\$ 498,751,642	\$ 12,884,594	2.58%	3.48%	\$ 17,374,402	3.03%	\$ 15,609,144	3.13%
210045	McCready Memorial	\$ 5,652,059	\$ 304,100	5.38%	6.35%	\$ 358,702	5.86%	\$ 341,908	6.05%
210048	Howard County General	\$ 318,284,993	\$ 13,001,466	4.08%	4.40%	\$ 13,990,971	4.24%	\$ 13,924,086	4.37%
210049	UM-Upper Chesapeake	\$ 332,770,718	\$ 13,742,814	4.13%	3.47%	\$ 11,551,833	3.80%	\$ 13,048,278	3.92%
210051	Doctors Community	\$ 268,585,331	\$ 19,513,544	7.27%	5.64%	\$ 15,156,640	6.45%	\$ 17,884,661	6.66%
210055	UM-Laurel Regional	\$ 34,239,946	\$ 4,198,572	12.26%	10.43%	\$ 3,572,772	11.35%	\$ 4,008,858	11.71%

210056	MedStar Good Samaritan	\$ 278,617,567	\$ 12,430,611	4.46%	4.18%	\$ 11,634,472	4.32%	\$ 12,414,006	4.46%
210057	Shady Grove Adventist Hospital	\$ 480,905,268	\$ 24,798,869	5.16%	5.40%	\$ 25,955,261	5.28%	\$ 26,181,586	5.44%
210060	Fort Washington Medical Center	\$ 53,886,528	\$ 4,478,927	8.31%	8.81%	\$ 4,745,240	8.56%	\$ 4,758,299	8.83%
210061	Atlantic General	\$ 116,105,093	\$ 5,504,651	4.74%	5.18%	\$ 6,012,312	4.96%	\$ 5,941,041	5.12%
210062	MedStar Southern MD	\$ 288,479,390	\$ 15,092,217	5.23%	4.00%	\$ 11,528,974	4.61%	\$ 13,732,577	4.76%
210063	UM-St. Joseph Med Cntr	\$ 401,981,552	\$ 15,497,093	3.86%	4.09%	\$ 16,422,437	3.97%	\$ 16,465,732	4.10%
210065	HC-Germantown	\$ 121,010,475	\$ 10,236,932	8.46%	8.47%	\$ 10,251,190	8.47%	\$ 10,568,826	8.73%
	Total	\$ 17,787,449,775	\$ 775,933,113	4.36%	4.11%	\$ 728,246,545	4.23%	\$ 775,933,113	4.36%

Note: Levindale, UMROI, and UM-Shock Trauma are not included in this analysis. If included, the actual UCC from RY 2019 RE Schedule would be 4.41%. This rate of 4.41% is what is built into rates.

Appendix II. UCC Summary Statistics

The table below presents the actual UCC change by hospital between FY 2018 and FY 2019– it does not reflect predicted UCC rates.

Appendix II. Table 1. Actual UCC Change by Hospital, FY 2018-2019

HOSPID	HOSPNAME	RY 2018 % UCC	RY 2019 % UCC	Variance Over/Under
210001	Meritus Medical Cntr	4.33%	4.61%	0.28%
210002	UMMC	4.10%	4.20%	0.10%
210003	UM-Prince George's Hospital	9.14%	8.84%	-0.30%
210004	Holy Cross	7.30%	8.36%	1.06%
210005	Frederick Memorial	4.34%	4.65%	0.31%
210006	UM-Harford Memorial	6.86%	6.45%	-0.41%
210008	Mercy Medical Cntr	4.41%	5.06%	0.65%
210009	Johns Hopkins	2.47%	2.59%	0.12%
210010	UM-SRH at Dorchester	5.60%	5.51%	-0.09%
210011	St. Agnes Hospital	5.03%	4.91%	-0.12%
210012	Sinai Hospital	3.52%	2.96%	-0.56%
210013	Bon Secours	2.13%	2.36%	0.23%
210015	MedStar Franklin Square	3.95%	3.50%	-0.45%
210016	Washington Adventist	7.02%	8.19%	1.17%
210017	Garrett Co Memorial	6.57%	6.97%	0.40%
210018	MedStar Montgomery	3.16%	3.43%	0.27%
210019	Peninsula Regional	3.49%	3.79%	0.30%
210022	Suburban	3.40%	3.60%	0.20%
210023	Anne Arundel Medical Cntr	2.80%	2.71%	-0.09%
210024	MedStar Union Memorial	3.59%	2.98%	-0.61%
210027	Western Maryland	4.99%	5.36%	0.37%
210028	MedStar St. Mary's	4.17%	4.47%	0.30%
210029	JH Bayview	5.14%	5.20%	0.06%
210030	UM-SRH at Chestertown	5.25%	5.39%	0.14%
210032	Union Hospital of Cecil Co	5.89%	5.32%	-0.57%
210033	Carroll Co Hospital Cntr	1.65%	2.33%	0.68%
210034	MedStar Harbor Hospital Cntr	4.26%	4.62%	0.36%
210035	UM-Charles Regional	5.35%	5.26%	-0.09%
210037	UM-SRH at Easton	3.59%	3.39%	-0.20%
210038	UMMC - Midtown	5.55%	5.20%	-0.35%
210039	Calvert Health Med Cntr	3.82%	4.27%	0.45%
210040	Northwest Hospital Cntr	4.33%	5.06%	0.73%
210043	UM-BWMC	6.05%	5.90%	-0.15%
210044	GBMC	2.25%	2.58%	0.33%

210045	McCready Memorial	5.78%	5.38%	-0.40%
210048	Howard County General	3.63%	4.08%	0.45%
210049	UM-Upper Chesapeake	2.92%	4.13%	1.21%
210051	Doctors Community	6.58%	7.27%	0.69%
210055	UM-Laurel Regional	9.55%	12.26%	2.71%
210056	MedStar Good Samaritan	4.16%	4.46%	0.30%
210057	Shady Grove	5.01%	5.16%	0.15%
210058	UM-ROI	5.07%	4.49%	-0.58%
210060	FT. Washington	9.89%	8.31%	-1.58%
210061	Atlantic General	4.95%	4.74%	-0.21%
210062	MedStar Southern MD	5.07%	5.23%	0.16%
210063	UM-St. Joseph Med Cntr	3.91%	3.86%	-0.05%
210064	Levindale	3.12%	4.68%	1.56%
210065	HC-Germantown	9.09%	8.46%	-0.63%
218992	UM-Shock Trauma	6.20%	6.26%	0.06%
Total		4.26%	4.41%	0.15%

Note: Free-Standing EDs, Behavior Health and Specialty Hospitals are not included in this analysis

Source: HSCRC RE Schedules

Appendix II. Table 2. UCC Write Off Distribution by Payer, RY 2019

The table below presents the UCC write off distribution by payer for services provided in FY 2019 based on the account-level information provided to the Commission. The largest contributor to UCC write off is from patients with a primary payer of charity care/self-pay at 33.98 percent of total UCC write off. Commercial payers and Medicare accounted for 30.25 and 17.13 percent of UCC, respectively.

UCC Write Off Distribution by Payer, RY 2019

Payer	Total Write Off	% of Total Write Off
Medicaid	\$ 93,907,915	13.49%
Medicare	\$ 119,201,202	17.13%
Other	\$ 35,867,562	5.15%
Self-Pay/Charity	\$ 236,496,607	33.98%
Commercial	\$ 210,571,612	30.25%
Total	\$ 696,044,899	100.00%

Source: 2019 UCC Write-off Data